

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 13, 2010
POSITION: Neutral, note concerns
SPONSOR: California Energy Technology Fund, California
Public Utilities Commission

BILL NUMBER: SB 1040
AUTHOR: A. Padilla

BILL SUMMARY: Telecommunications Universal Service Programs

Existing law establishes the California Advanced Services Fund (CASF), administered by the Public Utilities Commission (PUC), to fund deployment of broadband infrastructure and expand statewide high-speed Internet access. The CASF is funded by a PUC imposed surcharge collected through retail telecommunications customers' bills. Existing law prohibits the PUC from collecting more than \$100 million via the surcharge, authorizes \$100 million for the CASF, and sunsets the program on January 1, 2013.

This urgency bill would authorize an additional \$125 million in surcharges to fund the CASF at a rate of no more than \$25 million annually via continuous appropriation authority over a five-year period, beginning with the 2010-11 fiscal year. The bill also would designate separate accounts within the CASF to promote statewide broadband deployment, and extend the program sunset date to January 1, 2018. The bill would require the PUC to conduct an interim and final financial audit on the implementation and effectiveness of CASF and to report its interim findings by December 31, 2010, and its final findings by April 1, 2017.

FISCAL SUMMARY

The PUC estimates that the bill would require \$637,000 CASF and six positions (the extension of two limited-term positions receive in the 2009 Budget Act, and four new positions, one of which would be 1-year limited term) in 2010-11 and \$527,000 CASF and five positions each year from 2011-12 through 2015-16 to extend oversight of the current CASF Program through 2017, and conduct rulemaking and provide oversight of the three newly proposed CASF subaccounts and associated programs.

Finance notes the PUC was authorized two positions and \$200,000 CASF on a limited-term basis to implement the program. We note that any future request for additional resources would be evaluated during the annual budget development process, based on workload justification information submitted by the PUC.

The bill would establish three new accounts within the CASF, the Broadband Infrastructure Grant Account, Rural and Urban Regional Broadband Consortia Grant Account, and the Broadband Infrastructure Revolving Loan Account. The bill would provide continuous appropriation authority, at a rate of no more than \$25 million CASF annually, over a five-year period, beginning with the 2010-11 fiscal year, to be funded via surcharges to telecommunications consumers.

COMMENTS

The Department of Finance is neutral on this bill but notes concern regarding the ongoing costs and additional state staff and resources that may be necessary to continue address the program expansion and continuation that would be required by the bill. Finance notes additional concerns, as follows:

(Continued)

Analyst/Principal (0623) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AUTHOR

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COMMENTS, Continued

- The bill would provide that up to \$25 million annually can be encumbered from the CASF as follows: \$20 million into the Broadband Infrastructure Grant Account, \$2 million into the Rural and Urban Regional Broadband Consortia Grant Account, and \$3 million into the Broadband Infrastructure Revolving Loan Account. This funding would require the continuation of a surcharge imposed by the PUC on retail telecommunications customers during a time of high unemployment within the state and resulting consumer economic distress.
- The bill would increase administrative costs to the PUC estimated at \$637,000 CASF in 2010-11 and \$527,000 CASF each year from 2011-12 through 2015-16.
- The program began in 2007 and was codified in 2009 by Chapter 393, Statutes of 2008 (SB 1193; Padilla). Financial and performance audits of the program are required under the existing statutes by December 31, 2010. Finance believes it would be more appropriate to await a full evaluation and accounting of the program prior to its expansion.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
8660/PUC		SO	No		--	A	\$25,000	A	\$25,000	3141
1256/Othr Reg Fee		RV	No		--	U	\$25,000	U	\$25,000	3141
<u>Fund Code</u>	<u>Title</u>									
3141	Advanced Services Fund, California									